Item: 7

Education, Leisure and Housing Committee: 27 March 2024.

Review of Mid-Market Rent – Template Allocations Policy.

Report by Corporate Director for Education, Leisure and Housing.

1. Purpose of Report

To consider a review of the Council's mid-market rent policy for use in the Orkney area.

2. Recommendations

The Committee is invited to note:

2.1.

That, on 8 June 2022, the Education, Leisure and Housing Committee recommended approval of a template allocations policy on mid-market rent to inform mid-market rental allocations within Orkney, which was intended to be used by private sector developers and other providers alike.

2.2.

That, given the potential for expansion of the local programme on mid-market rent and in the context of the emerging Essential Worker Housing Strategy, a review of the template allocations policy has been undertaken.

It is recommended:

2.3.

That the revised template allocations policy to inform mid-market rent allocations within Orkney, attached as Appendix 1 to this report, be approved.

3. Introduction

3.1.

On 8 June 2022, the Education, Leisure and Housing Committee noted:

- That Priority 4 of Our People Our Plan stated "we will stimulate economic recovery by accelerating the council's social housing new build programme", with the desired outcome as follows:
 - "We want to create confidence for construction sector by accelerating investment in social housing projects that provide energy efficient, sustainable new homes for the people of Orkney whilst stimulating economic recovery".

- That the first priority of the Local Housing Strategy was to "ensure an adequate supply of houses", which included actions intended to ensure the provision of midmarket rent, defined as "properties available to rent at a level between social and market rent levels – usually targeted at those on modest incomes who cannot afford home ownership".
- That, through the Local Housing Strategy, the Council was working with the Scottish Government to deliver mid-market rental properties in the Orkney area, anticipated, over a period of time, to consist of a mixture of properties developed by the Council and properties within the ownership of private developers.
- That the first mid-market rental properties in Orkney would be 11 properties currently under development by two local companies, who were expected to retain ownership of the properties and let them directly.
- That the Council aimed to deliver an initial small programme of eight mid-market rental properties, included in the Strategic Housing Investment Plan, with delivery through a design and build contract.
- That the Strategic Housing Investment Plan included a further eight mid-market rental properties on mainland Orkney.
- That the provision of additional Council mid-market rental properties, including
 potential investment from the Strategic Reserve Fund, would be the subject of a
 report to Council in due course.
- That, as the Scottish Government would provide funding towards the cost of midmarket rental properties, the properties must be let within certain criteria, with rental levels in line with local housing allowance rates for the area.
- That, as public money was involved in the funding of mid-market rental properties, the allocation of the properties and rental levels were expected to meet certain criteria acceptable to the Scottish Government including income ranges and starting salary as detailed in sections 8.2 and 8.3 of the report by the Corporate Director for Education, Leisure and Housing.
- That any Council investment in mid-market rental properties would require approval in accordance with the Council's Financial Regulations, including following the Capital Project Appraisal process, to ensure the affordability of any scheme entered into.
- That acceptance of Scottish Government funding might limit the rent setting levels for mid-market rental properties and in turn impact affordability for those properties.
- That allocation of mid-market rental properties would be undertaken by the relevant companies and tenancies awarded would be private residential tenancies.
- That any Council provision of mid-market rental properties would require to be let through a private body, through a tendered contract, as the Council was not permitted to enter into private sector tenancies.

3.2.

The Committee recommended that the template allocations policy to inform midmarket rental allocations within Orkney, attached as Appendix 2 to the Minute, be approved.

4. Updated Position regarding Mid-Market Rent Policy

4.1.

As the essential workers housing strategy has progressed, the position surrounding mid-market rent and potential Council provision has been subject to change.

4.2.

However, in Orkney there are currently understood to be four local developers in the private sector who are developing a total of 28 mid-market rent properties which will either be let directly by themselves in due course or through sale or partnership arrangement with another appropriate body. Six properties have been completed by January 2024 with the remainder scheduled for completion over the coming months.

4.3.

Therefore, there is a need to ensure an up-to-date template allocations policy is in place to inform the onward letting of those properties once they are complete.

4.4.

As outlined in section 3 above, a policy on mid-market rent was developed to inform allocation of an initial 11 properties developed by private landlords.

4.5.

The policy now requires a review in the context of the Essential Worker Housing Strategy.

4.6.

Accordingly, a minor review has been undertaken as outlined at section 5 below.

5. Review of Mid-Market Rent Policy

5.1.

The introduction of the policy has been amended to be clear that the policy has been reviewed in the context of the emerging Local Housing Strategy and the Essential Worker Housing Strategy. These highlight the scarcity of housing in Orkney for newly emerging households, as well as for key workers and other essential incoming households required to sustain and develop Orkney's communities and local economy.

5.2.

The lettings criteria have been expanded to advise that priority will be given to key workers and other essential workers required to sustain and develop Orkney's communities and local economy. Mid-market rent is a valuable housing option to help attract and retain both incoming workers, and existing residents in key public and private sector industries. Priority will be given to the following, ranked in priority as listed below:

- Social care staff employees of Orkney Islands Council and employees of agencies providing social care services on behalf of Orkney Islands Council.
- Council staff required to deliver essential public services.
- Health staff employees of NHS Orkney and employees of agencies providing health services on behalf of NHS Orkney.
- Other employees or contractors required to deliver essential public services.
- Construction workers required to support Orkney's local economy.
- Hospitality workers required to support Orkney's local economy.
- Other workers that can demonstrate their working status is essential to help sustain Orkney's communities and local economy.

5.3.

The applicant(s) gross annual household income has been adjusted to show that, at the point of let, their income should be between £20,000 and £70,000, (previously £60,000) with the revision made due to the Orkney Housing Need and Demand Assessment 2023 showing that median incomes in Orkney are higher than the Scottish average at £34,468 (2022). The Essential Worker Housing Strategy shows that median income for most incoming workers to Orkney is over £35,000 with a range up to approximately £70,000.

5.4.

The revised policy is attached as Appendix 1 to this report and is recommended for approval.

6. Equalities Impact

An Equality Impact Assessment has been undertaken and is attached as Appendix 2 to this report.

7. Island Communities Impact

A full Island Communities Impact Assessment has been undertaken and is attached as Appendix 3 to this report.

8. Links to Council Plan

8.1.

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority of Developing our Infrastructure.

8.2.

The proposals in this report relate directly to Priority I7 – Mid-market rental properties of the Council Delivery Plan.

9. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Sustainable Development.

10. Financial Implications

10.1.

At this point in time the Council does not have any investment in mid-market rent properties. Any Council investment in mid-market rent properties will require approval in accordance with the Council's Financial Regulations, including following the Council's capital project appraisal process, to ensure the affordability of any scheme entered into. As stated above, acceptance of Scottish Government funding may limit the rent setting levels for mid-market properties and in turn impact affordability for these properties.

10.2.

While this is a Scottish Government policy, the rent level (currently limited to £548.50) may cause some level of distortion to the local rental market. In order to address this appropriately this matter will be included in the Education, Leisure and Housing Risk Register.

11. Legal Aspects

Mid-market rental properties are permitted as part of the Scottish Government's Affordable Housing Supply Programme. The policy review complies with the provisions of the relevant legislation.

12. Contact Officers

James Wylie, Corporate Director for Education, Leisure and Housing, extension 2477, Email james.wylie@orkney.gov.uk.

Frances Troup, Head of Community Learning, Leisure and Housing, extension 2450, Email frances.troup@orkney.gov.uk.

13. Appendices

Appendix 1: Mid-Market Rent Template Allocations Policy.

Appendix 2: Equality Impact Assessment.

Appendix 3: Island Communities Impact Assessment.



Mid-Market Rent Policy March 2024

Version Control

Document Reference.	Rev.	Issue date.	Reason for issue.	Reviewer.
HDPOL138.	Draft.	28/04/2022.	New.	Head of Community Learning, Leisure and Housing.
HDPOL138.	Approved.	05/07/2022.	New.	Head of Community Learning, Leisure and Housing.
HDPOL138.	Reviewed	15/01/2024.	Minor Review.	Head of Community Learning, Leisure and Housing.

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This document can be made available on request in a range of formats and languages.

1. Introduction

This document is a template allocations policy for mid market rent allocations within Orkney.

Applications will be assessed against a 'letting criteria' for mid market rent properties. If the criteria are met the property is offered to the first successful applicant. If the number of applicants exceeds availability, and all meet the qualifying criteria, priority would be on a first-come first-served basis.

The policy has been reviewed in the context of emerging Local Housing Strategy and the Essential Worker Housing Strategy. These highlight scarcity of housing in Orkney for newly emerging households, and for key workers and other essential incoming households required to sustain and develop Orkney's communities and local economy.

2. Letting Criteria

Applicants for a mid market rent property should meet the following qualifying criteria, these are:

- 1. The applicant(s) do not own or have their name on the title of another property except in exceptional circumstances / with express permission from the Council's Housing Service.
- 2. Priority will be given to essential workers required to sustain and develop Orkney's communities and local economy. Mid market rent is a valuable housing option to help attract and retain both incoming workers, and existing residents in key public and private sector industries. Priority will be given to the following, ranked in priority as listed below:
 - Social care staff employees of Orkney Islands Council and employees of agencies providing social care services on behalf of Orkney Islands Council.
 - ii) Council staff required to deliver essential public services.
 - iii) Health staff employees of NHS Orkney and employees of agencies providing health services on behalf of NHS Orkney.
 - iv) Other employees or contractors required to deliver essential public services.
 - v) Construction workers required to support Orkney's local economy.
 - vi) Hospitality workers required to support Orkney's local economy.
 - vii) Other workers that can demonstrate their working status is essential to help sustain Orkney's communities and local economy.
- 3. The applicant(s) gross annual household income should be between £20,000 and £70,000 (see note below) at the point of the allocation and let, unless stated otherwise in a property advert because:

- The local authority is targeting a specific client group, for example key workers, and other essential workers.
- If an essential incoming worker is moving to Orkney to take up a position in Orkney (as listed above) there may be occasions where the household income is higher due to the combined income of the essential worker and their partner who would normally reside with them. In these exceptional cases, there may be a need for flexibility on the total household income to enable housing to be secured for key or other essential incoming workers.
- Due to the property type a lower rent is charged and therefore a lower income threshold would be appropriate.
- 4. The applicant(s) has(ve) provided evidence that they can afford to take up and sustain the tenancy.

Where there is an inability to fill a property, a discussion should be held with the Council to see whether an allocation could be made through their waiting list to someone who could otherwise meet the above criteria.

Note: the level of income outlined above has been arrived at as it should relate to households on a median income. A median income for Scottish Tax Payers Is £27,756 for financial year 2022/23¹. The Orkney Housing Need and Demand Assessment 2023 showed that median incomes in Orkney are higher than the Scottish average at £34,468 (2022), and the Essential Worker Housing Strategy is indicating that median income of most incoming workers to Orkney is over £35k with a range up to approximately £70k.

The starting salary of £20,000 has been arrived at due to considerations of the affordability test across different sizes of property. While the living wage would be lower at £18,965, a single income of that level could only demonstrate affordability for a one bedroom property.

Over the duration of the tenancy, the tenant's circumstances may change, including total household income which may differ from the original household income at the point of allocation and let.

3. Assessing Affordability

In assessing an applicant's affordability, you should look at the information provided in, and supporting, their application. This should determine whether an applicant can afford to pay the rent and other costs associated with a tenancy on an ongoing basis. By way of illustration that assessment should consider, although this is not an exhaustive list:

• If the applicant is employed, or has a firm offer of employment, or another regular income.

¹ Scottish Government: The Annual Survey of Hours and Earnings, October 2022

- If bank statements show evidence of returned or missed payments, unauthorised overdraft usage, high-levels of gambling, debt management programmes, or use of short-term 'pay-day loans' or high interest lending.
- Monthly rent exceeds 35% of household gross monthly income.

It may also be necessary to carry out a credit check for the affordability assessment.

Guarantors should not routinely be accepted. However, you may consider a guarantor where other criteria are met, for example, a young person in their first tenancy who meets all other criteria.

4. Other reasons for refusing an application

An application may be refused on the basis of references provided. For example, where an existing tenancy has not been conducted satisfactorily.

5. Monitoring and Review

This document will be reviewed after one year of operation.



Equality Impact Assessment

The purpose of an Equality Impact Assessment (EqIA) is to improve the work of Orkney Islands Council by making sure it promotes equality and does not discriminate. This assessment records the likely impact of any changes to a function, policy or plan by anticipating the consequences, and making sure that any negative impacts are eliminated or minimised and positive impacts are maximised.

1. Identification of Function, Policy or Plan		
Name of function / policy / plan to be assessed.	Mid-Market Rent Policy	
Service / service area responsible.	Housing Services	
Name of person carrying out the assessment and contact details.	Frances Troup, Head of Community Learning, Leisure and Housing Ext 2450 E-mail frances.troup@orkney.gov.uk	
Date of assessment.	12 October 2023	
Is the function / policy / plan new or existing? (Please indicate also if the service is to be deleted, reduced or changed significantly).	Revised	
2. Initial Screening		
What are the intended outcomes of the function / policy / plan?	To review the template mid-market rent policy for use whether in relation to Council provision, through a partnership or vehicle, or private sector provision of mid-market rent properties.	
Is the function / policy / plan strategically important?	Yes. The Council through its Local Housing Strategy has identified a need for mid-market rent within the Orkney area. It is important to help guide private sector providers in allocation of mid-market rent to ensure they can meet the Scottish Government requirements of their funding and also ensure that legal and policy requirements are met.	

State who is, or may be affected by this function / policy / plan, and how.	Providers and tenants of mid-market rent properties through the allocation of the properties concerned.
How have stakeholders been involved in the development of this function / policy / plan?	The Scottish Government was involved in the development of the policy.
	The house build group within the Council was consulted on the policy specifically in 2022. The Housing Market Partnership has been involved in the essential workers project including the provision of mid-market rent. The Housing Market Partnership consists of members across the public, private and third sectors. Council membership includes Housing Services, Planning and Regulatory Services, Neighbourhood and Infrastructure Services, Finance Services. Other partners include NHS Orkney, the Scottish Government, Orkney Housing Association Ltd, Scottish Water and key developers.
Is there any existing data and / or research relating to equalities issues in this policy area? Please summarise. E.g. consultations, national surveys, performance data, complaints, service user feedback, academic / consultants' reports, benchmarking (see equalities resources on OIC information portal).	There are significant amounts of research relating to housing specifically. This area is purely about mid-market rent rather than more general provision so specific equalities related research is limited.
Is there any existing evidence relating to socio-economic disadvantage and inequalities of outcome in this policy area? Please summarise. E.g. For people living in poverty or for people of low	The Joseph Rowntree Foundation has produced a range of research focussing on poverty and disadvantage and the links between this and housing and homelessness. Research such as this relates directly to the introduction of the Fairer Scotland Duty.
income. See The Fairer Scotland Duty Interim Guidance for Public Bodies for further information.	Mid-market rent provision is specifically intended to assist those who may not qualify for social housing and whose income is insufficient to enable them to be able to buy housing.
	Whilst in-work poverty is generally defined as a working person's income after housing costs, it forms a useful framework to understanding those who may be most likely impacted in this policy

	area.
	CIPD Research shows that in-work poverty isn't limited to those in the lowest-paid roles and risks of being trapped in poverty are not equal. It can depend on the sector people work in, their hourly pay and number of hours worked, where they live, as well as their age, gender, ethnicity and disability.
	Barriers like access to childcare and transport can also determine whether people are able to escape poverty through work.
	Those most vulnerable include children, as well as people in:
	 families without full-time workers. single-parent families. families with a disabled person. families with three or more children. rented accommodation. households headed by someone of non-white ethnicity (particularly those of Pakistani, Bangladeshi or Black ethnicity).
	Workers in certain sectors – particularly accommodation and food services – are far more vulnerable to in-work poverty, while other sectors at risk include administration and support services, wholesale and retail, construction, health and social work, and manufacturing.
Could the function / policy have a differential impact on any of the following equality	(Please provide any evidence – positive impacts / benefits, negative impacts and reasons).
strands?	The mid-market rent policy is intended to ensure that all housing and equalities legislation is adhered to in the allocations process. Limited criteria is included and otherwise allocation is on a first come first served basis.
Race: this includes ethnic or national groups, colour and nationality.	No specific impact identified. Potential positive impact for those households headed by someone of non-white ethnicity.
2. Sex: a man or a woman.	No specific impact identified. Potential positive impact for single-parent families. Statistically, these will most likely be single women.

3. Sexual Orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes.	No specific impact identified.
4. Gender Reassignment: the process of transitioning from one gender to another.	No specific impact identified.
5. Pregnancy and maternity.	No specific impact identified.
6. Age: people of different ages.	No specific impact identified.
7. Religion or beliefs or none (atheists).	No specific impacts identified.
8. Caring responsibilities.	No specific impact identified. Potential positive impact for those families with three or more children.
9. Care experienced.	No specific impact identified.
10. Marriage and Civil Partnerships.	No specific impacts identified.
11. Disability: people with disabilities (whether registered or not).	No specific impact identified. Potential positive impact for those families with a disabled person.
12. Socio-economic disadvantage.	No specific impact. Mid-market rent is intended to apply to those households who would not qualify for social housing but who do not earn enough to be able to purchase housing. It is therefore intended to have a positive impact on socioeconomic disadvantage where the household is employed, has a form offer of employment or another regular income. This may also include those families without full-time workers.

3. Impact Assessment		
Does the analysis above identify any differential impacts which need to be addressed?	No	
How could you minimise or remove any potential negative impacts?	N/A	
Do you have enough information to make a judgement? If no, what information do you require?	Yes	

4. Conclusions and Planned Action		
Is further work required?	No.	
What action is to be taken?	N/A	
Who will undertake it?	N/A	
When will it be done?	N/A	
How will it be monitored? (e.g. through service plans).	N/A	



Date 12 October 2023

Signature:

Name: Frances Troup (BLOCK CAPITALS).

Please sign and date this form, keep one copy and send a copy to HR and Performance. A Word version should also be emailed to HR and Performance at hrsupport@orkney.gov.uk

Island Communities Impact Assessment

[Template Mid Market Rent Policy, Housing Services]

Preliminary Considerations	Response
Please provide a brief description or summary of the policy, strategy or service under review for the purposes of this assessment.	To review the template mid-market rent policy for use whether in relation to Council provision, through a partnership or vehicle, or private sector provision of mid-market rent properties.
Step 1 – Develop a clear understanding of your objectives	Response
What are the objectives of the policy, strategy or service?	To ensure there is a template allocations policy for mid-market rent properties which ensures relevant properties are let in accordance with relevant legislation and good practice.
Do you need to consult?	The development of the essential workers housing strategy has included significant consultation. The Housing Market Partnership has been involved in the development of the policy. A public consultation is not required.
How are islands identified for the purpose of the policy, strategy or service?	The policy covers the whole local authority area which includes all the inhabited islands.
What are the intended impacts/outcomes and how do these potentially differ in the islands?	To ensure a template mid-market rent policy is available for use whether in relation to Council provision, through a partnership or vehicle, or private sector provision of mid-market rent properties. The legislative provision is the same in the islands. The development of mid-market rent properties may differ across different areas based on demand and economic factors.
Is the policy, strategy or service new?	No. It has been revised following development of the essential workers housing strategy.

Step 2 – Gather your data and identify your stakeholders	Response
What data is available about the current situation in the islands?	Data around demand for housing across the isles is included in the Housing Needs and Demand Assessment and will be taken forward in the development of the Local Housing Strategy for 2023. Midmarket rent provision does not currently exist and therefore it is too early for specific data on letting of mid-market rent properties.
Do you need to consult?	No. The development of the essential workers housing strategy has included significant consultation. The Housing Market Partnership has been involved in the development of the policy. A public consultation is not required.
How does any existing data differ between islands?	Data around demand for housing across the isles is included in the Housing Needs and Demand Assessment and will be taken forward in the development of the Local Housing Strategy for 2024. Midmarket rent provision does not currently exist and therefore it is too early for specific data on letting of mid-market rent properties.
Are there any existing design features or mitigations in place?	N/A. See above.
Step 3 – Consultation	Response
Who do you need to consult with?	There is not a need to consult. The development of the essential workers housing strategy has included significant consultation. The Housing Market Partnership has been involved in the development of the policy. A public consultation is not required.
How will you carry out your consultation and in what timescales?	N/A.
What questions will you ask when considering how to address island realities?	N/A.

What information has already been gathered through consultations and what concerns have been raised previously by island communities?	N/A.
Is your consultation robust and meaningful and sufficient to comply with the Section 7 duty?	N/A.
Step 4 – Assessment	Response
Does your assessment identify any unique impacts on island communities?	No.
Does your assessment identify any potential barriers or wider impacts?	No.
How will you address these?	N/A.

You must now determine whether in your opinion your policy, strategy or service is likely to have an effect on an island community, which is significantly different from its effect on other communities (including other island communities).

If your answer is **No** to the above question, a full ICIA will NOT be required and **you can process to Step 6**. If the answer is **Yes**, an ICIA must be prepared and you should proceed to Step 5.

To form your opinion, the following questions should be considered:

- Does the evidence show different circumstances or different expectations or needs, or different experiences or outcomes (such as different levels of satisfaction, or different rates of participation)?
- Are these different effects likely?
- Are these effects significantly different?
- Could the effect amount to a disadvantage for an island community compared to the Scottish mainland or between island groups?

Step 5 – Preparing your ICIA	Response
In Step 5, you should describe the likely significantly different effect of the policy, strategy or service:	N/A.
Assess the extent to which you consider that the policy, strategy or service can be developed or delivered in such a manner as to improve or mitigate, for island communities, the outcomes resulting from it.	N/A.
Consider alternative delivery mechanisms and whether further consultation is required.	N/A.
Describe how these alternative delivery mechanisms will improve or mitigate outcomes for island communities.	N/A.
Identify resources required to improve or mitigate outcomes for island communities.	N/A.
Stage 6 – Making adjustments to your work	Response
Should delivery mechanisms/mitigations vary in different communities?	The legislation is the same across all locations.
Do you need to consult with island communities in respect of mechanisms or mitigations?	No.
Have island circumstances been factored into the evaluation process?	Yes, island circumstances are always factored into our policies relating to Housing and island circumstances were factored into the development of the essential workers housing strategy.
Have any island-specific indicators/targets been identified that require monitoring?	No. Mid-market rent provision does not currently exist and therefore it is too early for specific data on letting of mid-market rent properties.

How will outcomes be measured on the islands?	Mid-market rent provision will be monitored through the Local Housing Strategy and delivery of the Strategic Housing Investment Plan.
How has the policy, strategy or service affected island communities?	Not yet. Mid-market rent provision does not currently exist and therefore it is too early for specific data on letting of mid-market rent properties.
How will lessons learned in this ICIA inform future policy making and service delivery?	N/A.
Step 7 – Publishing your ICIA	Response
Have you presented your ICIA in an Easy Read format?	Yes.
Does it need to be presented in Gaelic or any other language?	No.
Where will you publish your ICIA and will relevant stakeholders be able to easily access it?	Orkney Islands Council's Website with Committee Report and Minute on Review of Template Policy on Mid-Market Rent.
Who will sign off your final ICIA and why?	James Wylie, Corporate Director for Education, Leisure and Housing – line manager of Frances Troup.

ICIA completed by:	Frances Troup
Position:	Head of Community Learning, Leisure and Housing
Signature:	
Date complete:	15 January 2024

ICIA approved by:	
Position:	
Signature:	
Date complete:	